

# Performance-Based Contracting (PBC)

## 2006 Army Environmental Cleanup Workshop



# PBC UPDATE

January 31, 2006



## Purpose / Agenda



- Discuss status of Army's PBC initiative for the Installation Restoration Program (IRP) -
  - ✓ Brief history of PBC initiative
  - ✓ Emerging results on PBC effectiveness
  - ✓ Path Forward for FY06
- Outline PBC Initiative for Army's Remedial Action (Operations) (RA(O))/Long Term Monitoring (LTM) liability -
  - ✓ Benefits of initiative
  - ✓ Roles & responsibilities in implementation
- Discuss ACSIM Indefinite Delivery/ Indefinite Quantity (ID/IQ) Contracts -

# Performance-Based Contracting (PBC)

## Timeline of Initiative

•Pilot demonstrations of GFPR initiated by FORSCOM and TRADOC

•GFPR contracting approved as Army and DoD BIC Initiatives

•ACSIM directs PBC evaluations for all active installations  
•36% (\$141M) of Army's IRP is performance based (Goal: 30%)

**FY06 Goal**  
**60% of Total Program (~\$240M)**

**We Are Here**

1999 2000 2001 2002 2003 2004 2005 2006

•ACSIM encourages use of "New Generation of Cleanup Initiatives"  
•BRAC Office pursues GFPRs

•Corps pursues use of GFPR at Fort Leavenworth

•ACSIM pursues expanded use of GFPR at 7 installations  
•9.6% (\$37M) of Army's IRP is performance based (Goal: 3-5%)

•51% (\$202M) of Army's IRP is performance based (Goal: 50%)  
•>40 contracts awarded; \$478M capacity (Range \$548K-\$52M)  
•Contracts in 10 EPA Regions and 28 states

# Performance-Based Contracting (PBC)

## PBC Accomplishments

	Installations	Sites	CTC (\$M)	IGE (\$M)	Contract Award (\$M)
<b>FY01-02</b>	Fort Gordon, Fort Leavenworth	<b>50</b>	<b>42.200</b>	<b>42.200</b>	<b>39.391</b>
<b>FY03</b>	Fort Dix, Fort Jackson, Lake City AAP, Ravenna AAP, Sierra Army AD	<b>68</b>	<b>119.998</b>	<b>117.306</b>	<b>98.795</b>
<b>FY04</b>	Aberdeen PG - Graces Quarters, Aberdeen PG - Other Aberdeen Areas, Fort Detrick, Fort Irwin, Fort Rucker, Holston AAP, Hunter AAF, Iowa AAP, Louisiana AAP, Milan AAP, Reserves, Riverbank AAP, Rock Island, Fort Leonard Wood	<b>143</b>	<b>276.090</b>	<b>203.556</b>	<b>152.738</b>
<b>FY05</b>	APG-Bush River, APG – EA Groundwater, APG- Westwood, Camp Bullis & Fort Sam Houston, Camp Navajo, Fort Gillem, Fort Knox, Fort Meade, Fort Pickett, Hawaii – Tripler/Schofield, Joliet AAP, Longhorn AAP, Camp Crowder & Ft. Chaffee, Los Alamos & Camp Roberts, Ravenna AAP, Red River, Redstone, Soldier Systems Center	<b>280</b>	<b>244.967</b>	<b>209.881</b>	<b>176.710</b>
	Military Munitions Response Program – Site Inspections	<b>67</b>	<b>2.171</b>	<b>4.619</b>	<b>0.901</b>
<b>FY06</b>	Dugway Proving Ground	<b>23</b>	<b>39.500</b>	<b>34.900</b>	<b>10.585</b>

<b>Cumulative</b>	<b>564</b>	<b>722.755</b>	<b>607.843</b>	<b>478.220</b>
<b>Cost Avoidance on all PBCs (based on CTC)</b>		<b>33.8%</b>		
<b>Cost Avoidance on all PBCs (based on IGE)</b>			<b>21.3%</b>	

## PBC Effectiveness – Analysis Approach



- While significant cost avoidance has been experienced, how has milestone achievement been affected?
  - ✓ What is the status of PBC performance milestones?
  - ✓ What factors drive schedule acceleration or delay?
  - ✓ What lessons learned are emerging?
- Analysis conducted on initial 7 contracts:
  - ✓ CERCLA sites – Forts Dix, Gordon, & Leavenworth, Ravenna Army Ammunition Plant, Lake City AAP
  - ✓ RCRA sites – Fort Jackson, Sierra Army Depot
- Baseline schedules compared to current schedules using:
  - ✓ Project Management Plans
  - ✓ AEDB-R dates

## Results



- **Of the 128 total milestones/major activities due as of 30 Nov 2005:**
  - ✓ 38 (30%) were completed on time or early
  - ✓ 29 (23%) were completed less than 6 months behind schedule
  - ✓ 12 (9%) were completed more than 6 months behind schedule
  - ✓ 8 (6%) are less than 6 months overdue
  - ✓ 41 (32%) are more than 6 months overdue
- **85 % of late milestones/major activities were late due to “cascade” effect (i.e., delays resulting from initial missed dates)**
  - ✓ However, activities are on track with initial proposed durations (at contract award) and PBC contractors are working to streamline actions to meet original performance objectives (i.e., proposed RIP/RC dates)

## Results (Continued)



- **Late milestones/activities were due to variety of factors:**
  - ✓ **Contractor Related**
    - Overly optimistic schedules put forth in the Project Management Plans for initial activities. Although the final objectives may be met, interim milestones are being missed
    - Contractors are having to adjust schedules because input from incumbent contractors is late
    - Technical challenges
  - ✓ **Regulator Related**
    - Limited resources and different priorities
    - Personnel turnover
    - Land use control and state covenant issues
  - ✓ **Army Related**
    - Funding issues – still dealing with incremental funding limitations
    - Legal reviews





## Bottom Line (7 Contracts Reviewed)

- In general, PBC contractors are meeting or beating schedule where they have control over resources and deliverables
  - ✓ On track to meet completion dates for High Relative Risk Evaluation sites
  - ✓ No indication that overall schedule will be compromised (i.e., contract completion will occur as initially planned at award)
- Lessons learned:
  - ✓ Regulator buy-in is still critical in all aspects of process
  - ✓ Need to reduce reliance on incumbent contractor activities
  - ✓ Get PBC in place early in the restoration process (i.e., before major remedy decisions are made) to provide greatest flexibility to the PBC contractors





## FY06 PBC Candidates

- Aberdeen Proving Ground – Canal Creek, MD
- Fort Richardson / Haines Terminal, AK (2 procurements)
- Badger AAP, WI
- Dugway Proving Ground, UT
- Fort Bragg, NC
- Fort Campbell, KY
- Fort Story, Fort Lee and Fort Eustis, VA
- Fort Leonard Wood, MO
- Fort McClellan, AL
- Fort Riley, KS
- Hawthorne Army Depot, NV
- Kansas AAP, KS
- Letterkenny AD, PA
- Picatinny Arsenal (ARDEC), NJ
- Radford, VA
- Volunteer AAP, TN
- White Sands Missile Range, NM
- Remedial Action Operation/Long Term Monitoring (RA(O)/LTM)

## RA(O)/LTM PBC Initiative

**Develop and employ PBC strategies which incorporate a rampdown and/or exit strategy to reduce the Army's RA(O) and LTM liabilities**

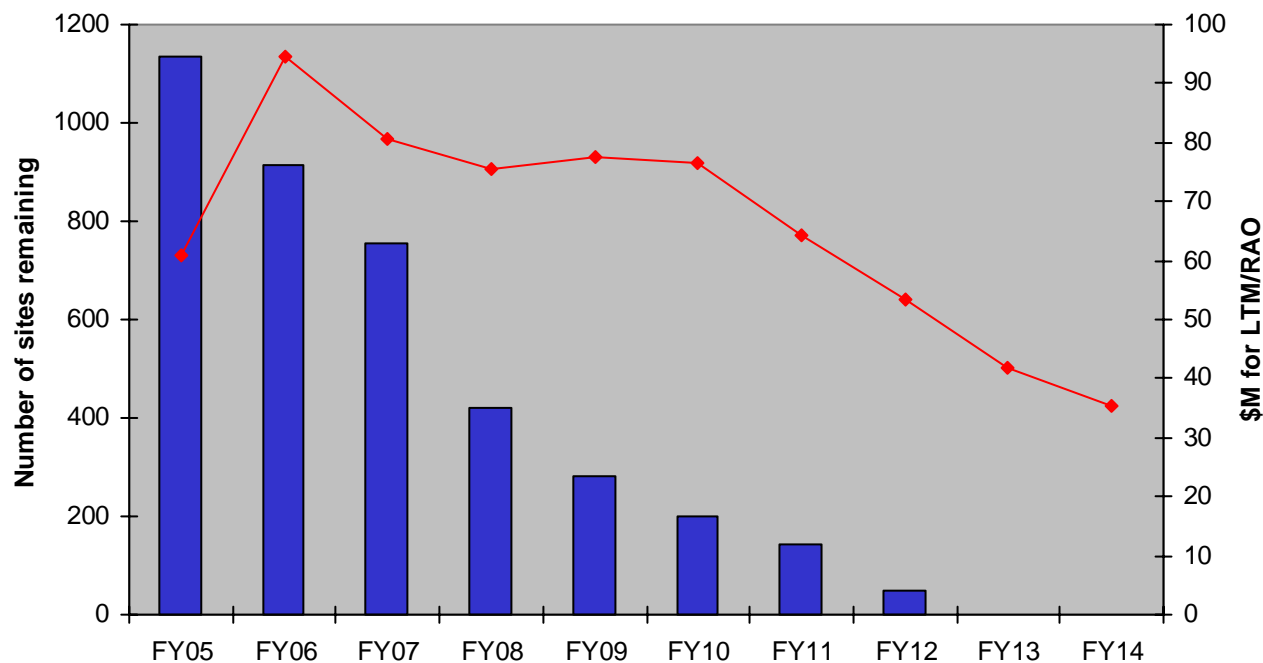
- **Objectives:**
  - ✓ Reduce overall cost for conducting long-term activities at Army installations
  - ✓ Improve operation efficiency for RA(O) activities
  - ✓ Develop and implement ramp down, optimization, and exit strategies for long-term activities at Army installations
  - ✓ Develop and provide guidance for Army-wide use

# Performance-Based Contracting (PBC)



## RAO/LTM Breakout (\$M) (From FY06 PMP With FY04 unescalated)

Army wants to achieve or improve upon the projected costs for RAO/LTM as outlined in the FY06 Program Management Plan for Active and Excess properties. **Installation cooperation is critical to reaching this objective.**



**Tail of red line is not a certainty**

# Performance-Based Contracting (PBC)

## FY06 PMP Metrics

- Conduct a study to determine the potential workload and logical breakout of RAO/LTM contracting by end of 1<sup>st</sup> quarter.
- Develop contract performance-based, incentive structures by end of 1<sup>st</sup> quarter.
- Evaluate all RAO/LTM efforts for potential PBC incentivized contracting as part of the FY06 IAP Workshops.
- Award 20% of the FY06 RAO/LTM requirements under performance-based, incentivized contracts. (40% in FY07)

**ACHIEVABLE WITH YOUR ATTENTION**



## Implementation

- AEC will facilitate initial FY06 installation candidate evaluations and contract awards
  - Use ACSIM ID/IQ or USACE contracts
- Installations identify opportunities at IAP Workshops
  - Can USACE or Installation In-house contracting develop an exit/ramp down approach in a competitive manner?
  - Is there a way to incentivize early completion of RAO or more efficient achievement of LTM requirements?

**DON'T WAIT FOR RAO/LTM PBC TO COME TO YOU**

**BE PROACTIVE AND MAKE A PROPOSAL**



## Roles and Responsibilities

### Installation RPM still...

- Interfaces with Regulators, along with Contractor
- Interfaces with Public
- Manages and monitors long-term operations

### AEC RM still...

- Approves funding based on
  - Consensus on objectives
  - Consensus on contract requirements

### USACE still...

- Offers contracting alternatives and technical support

## ACSIM ID/IQ Multiple Awards



- **11 awards across two portfolios**
  - ✓ Portfolio I – 5 small businesses, \$160M capacity
  - ✓ Portfolio II – 6 large businesses, \$320M capacity
- **One year base award + 4 optional ordering periods**
  - ✓ Now in Option Period 1
- **Site Characterization/Investigation; Studies and Reports; Support of Remedial Actions, Remediation, Monitoring and MEC Support**



## Areas of Concern



- **Contracting Officer's Representative (COR) Training**
- **COR File Inspections**
- **Procurement Integrity**